NAVY ERP NEWSLETTER

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ISSUE 1   *Recapitalization through Enterprise Integration*   JUNE 2004

Question of the Month: *How do the Navy ERP pilot programs relate to Navy ERP?* **(Answer on page 2)**

Introducing the Navy ERP Newsletter

This newsletter represents the first of a series of issues - monthly at first and more often if necessary - to publicize the news and events of the Navy Enterprise Resource Planning (ERP) Program. Until now, news of the Navy's ERP initiative has been borne by the project teams of its four pilot programs, which in January 2003 were directed by Assistant Secretary of the Navy for Research, Development and Acquisition (ASN (RD&A)) John Young to be merged into a single Navy-wide program. Now that the Navy ERP Program is well on its way to a Milestone A/B decision in July 2004, the time is right to combine pilot news publications under one heading and let all Navy readers know what the ERP Program and its four production systems are doing.

Each month we will publish significant news and events relating to the Navy ERP Program and its production systems, along with a regular Question of the Month feature to answer questions you may have. We will distribute this newsletter via an e-mail cover letter that will include both a web (html) and a printable (.pdf) version of the Newsletter. The web version will offer links to previous Navy ERP Newsletter issues and to related web sites with ERP information. Please don't hesitate to let us know of your questions about the Program or your comments and suggestions regarding how we deliver this news to you.

RON ROSENTHAL
Navy ERP Program Manager

Council is Key to Process Re-engineering

The recently established Navy ERP Process Council and its five Working Groups represent a commitment of Navy leadership to remove barriers to the alignment and standardization of the Navy's business processes.

OCM Team Begins Stakeholder Interviews

The Navy ERP Organizational Change Management (OCM) Team in April 2004 began conducting initial stakeholder interviews with leaders of several activities scheduled to be early recipients of the Navy ERP product.

Contact Us

The Navy ERP Newsletter is published by the Navy ERP Program Management Office. If you have any questions/comments regarding the Newsletter, please email us at NavyERPCommunications@navy.mil.

Please visit the Navy ERP Website at
http://www.erp.navy.mil

Background Information: *History and accomplishments of the four production systems*

CABRILLO:
Navy Working Capital Fund Management

SPAWAR's Navy Working Capital Fund (NWCF) ERP pilot program has been operational since July 2001 and serves 3,500 users. As a result, more than 30 Systems Support Center (SSC) San Diego legacy business systems have been retired, with associated cost savings. This effort is being managed by the SSC ERP Program Office with a team assembled from across the Command.

NEMAIS:
Regional Intermediate-Level Maintenance

The goal for the NAVSEA/CFFC partnership was to optimize Intermediate Level (I-Level) maintenance support for the warfighter. The NEMAIS ERP pilot was tasked with installing an ERP solution in all Shore Intermediate Maintenance Activities, Regional Maintenance Centers, Regional Support Groups, and other I-Level activities such as the Nuclear Regional Maintenance Depot (NRMD) and the Ship Repair Facility (SRF) Japan.

SIGMA:
Program Management

The Sigma pilot program – the Naval Air Systems Command (NAVAIR) Enterprise Resource Planning (ERP) system – is the system of record for NAVAIR's Financials, Program Management, Time and Attendance, Awards, Training and Employee Performance Evaluations.

SMART:
Aviation Supply Chain Management/Maintenance

The Supply Maintenance Aviation Re-engineering Team (SMART) Enterprise Resource Planning (ERP) pilot program "went live" on 3 January, 2003. The single software and process solution for E-2C Hawkeye aircraft and LM-2500 marine gas turbine engines combines maintenance, supply and financial operations into one seamless system.

Answer to the Question of the Month

In 1999, the Department of the Navy commissioned four pilot programs to re-engineer business processes and implement an Enterprise Resource Planning (ERP) solution in specific, targeted functional areas. In January, 2003, the Navy made the decision to merge the four production systems into a single program known as Navy ERP. Based upon the successes and lessons learned from the four pilots, Navy ERP is currently blueprinting Global Template 1, which will bring together the functionality of the four production systems.

As the Navy ERP Program prepares for a Milestone decision by the Office of the Secretary of Defense in July 2004, it is working in parallel with each of the pilots to normalize the business processes to be incorporated in each of their ERP solutions. Following completion of the process baseline in July 2003, the Program's Business Process Teams began developing the blueprint for Global Template 1 – the first Navy-wide ERP product. This solution will be configured and tested after Milestone A/B for deployment beginning in Fiscal Year 2006.

Process Council Gears Up for Re-engineering Effort
(Continued from page 1)

This commitment to business process re-engineering will enable the Navy to tap the power of the Enterprise Resource Planning (ERP) tool it will begin implementing across the Navy in 2006.

The Process Council was created to align Navy business processes and coordinate their interaction among five major functional areas: Financial Management, Acquisition Management, Supply Chain Management, Maintenance, and Work Force Management. Effectiveness of the council and its Working Groups – each chaired by flag- or Senior Executive Service (SES) level personnel – is considered vital to the success of the Navy ERP Program, whose mission is to reinvent and standardize Navy business processes for acquisition, financial and logistics operations.

The Council will take on significant issues and make decisions on Navy policies that may be in conflict. Decisions made by the Council will be published in this Newsletter to keep Navy ERP stakeholders informed of significant changes to Navy business processes.

The Navy ERP Customer Support Team held its initial ERP/SAP overview training sessions for Process Council Working Groups on 6 and 20 April, 2004. Feedback from attendees indicated that the information they received will prove helpful to them in their interaction with the Navy ERP Business Process Teams.

Organizational Change Management Team
Begins Stakeholder Interviews *(Continued from page 1)*

The OCM Team is charged with assessing the willingness and ability of these commands to make changes necessary to implement Navy ERP and then planning to enable the changes to be made more smoothly. These interviews are designed to help the Team identify expectations, issues and obstacles that may be encountered by Navy ERP Deployment Teams as they implement Global Template 1 at the target sites in 2006.

The Program's Global Template 1 will first be deployed to the Regional Maintenance Center (RMC) Norfolk, Regional Supply Office (RSO) Norfolk, Aircraft Intermediate Maintenance Department (AIMD), and Naval Inventory Control Point (NAVICP) in Philadelphia. Initial Stakeholder Interviews have thus far been held with:
- Vice Commander NAVICP
- Commanding Officer SIMA Norfolk
- Officer in Charge AIMD Norfolk
- Director RSO Norfolk
- Executive Director FISC Norfolk
- Commander FISC San Diego
- Fleet Forces Command / Atlantic Fleet Comptroller

SIGMA *(continued from page 1)*

NAVAIR partnered with a team of systems integrators - lead by BearingPoint, Inc. (formerly KPMG Consulting) and including subcontractors IBM, SAIC, SAP America and several small businesses - to implement commercial best practices and streamline business processes.

Sigma provides accurate real-time information in one integrated system. As a result, NAVAIR is now able to utilize common processes and business rules as well as a single set of data across all sites and organizational units. This new process-centered system provides managers with accurate, real-time information on their programs, and provides employees near real-time access to their human resources information such as career development and training.

NAVAIR's ERP System is SAP® R/3® core software with specialized software packages added to support Engineering Change Proposal approval, government form generation, and document management.

Accomplishments

– Operational ~1.5 years with more than 19,000 users at 10 primary sites and 126 global locations

– Fully operational Disaster Recovery System in place

– Sigma is operated within the NMCI environment

– Retired 51 of 79 planned legacy systems

– Financial system of record for entire $23 billion annual budget

– NAVAIR Travel System is fully integrated with Sigma for Human Resources and Financials

– Standard Procurement System (SPS) is fully integrated with Sigma for Financials and Procurement

– Financial statements available within 48 hours of period close

CABRILLO (*continued from page 1*)

The NWCF pilot focused on improving the business operations, process, and support systems at SSC San Diego. A business case analysis for this initiative, completed in 1999, determined that addressing several functional areas of the enterprise would achieve the most improvement in the efficiencies and effectiveness in its business operations. As a result, the NWCF ERP pilot (Project Cabrillo) was chartered to address the integration of our overall business practices and processes, including:
- Project Management
- Financial Management
- Procurement Management
- Asset Management
- Human Resource Management
- Strategic Planning

In June 2000, PriceWaterhouseCoopers (now IBM) was selected as the system integrator for the NWCF pilot. Members of the integrator team also included Computer Sciences Corporation (CSC), Unified Industries Incorporated (UII), SAP, and Logicon, Inc.

Management of projects in the technical departments is the center of the Command's business universe, so it has been critical for Cabrillo to support these project teams in delivering quality products and services to their customers. Cabrillo "went live" in July 2001. Since then, improvements and additional functionality, such as Business Warehouse and Supplier Relationship Management, has been added to the production system.

Accomplishments

- Online for 2+ years and stable

- More than 6 million transactions processed

- User acceptance and competence continues to grow

- Civilian End Strength reduction of 15.8 workyears (FY 02)

- Defense Financial Accounting System (DFAS) zero error rate for data

- Legacy system reduction: retiring 59 of 72 legacy systems, applications and manual processes

- Business cycle time required from requisition to purchase order dropped from 44 days to 44 minutes for Electronic Catalog buying

- ERP knowledge, as measured by hours of training received:

> Goal = 38,000 hours
> Achieved = 41,500 hours

SMART (*Continued from page 1*)

The SMART ERP pilot program is designed to replace legacy supply, maintenance and financial management systems with a modern, responsive, accurate and integrated system. SMART ERP improves parts management, provides total asset visibility, increases inventory modeling capability and facilitates data sharing.

Originally started in Fall 1999 as the Aviation Supply Chain Management/Maintenance Management (AvSCM/MM) ERP Project, SMART completed Phase I less than a year later with the development of a Concept of Operations, areas of opportunities, lean maps quantifying process complexity, a Business Case Analysis (BCA), and software selection. SAP® (Systems, Applications and Products in Data Processing) R/3® software was selected to be the ERP "backbone" software, and Manugistics was selected as an auxiliary software tool for Advanced Planning System (APS) functions needed for budgeting and "what if" scenarios.

SMART ERP development required the highest level of coordination and teamwork between Naval Supply Systems Command (NAVSUP), Naval Air systems Command (NAVAIR), Defense Finance Accounting Service (DFAS), and people at Naval Air Station Norfolk, Naval Inventory Control Point (NAVICP), and the Fleet and Industrial Supply Centers (FISC) in San Diego and Norfolk. Navy and contractor development team members worked in partnership with private sector associates EDS, Deloitte, and Manugistics.

The SMART production system includes SAP modules for Sales and Distribution, Materials Management, Production Planning, Plant Maintenance, Financial Accounting and Controlling. The modules function interdependently so that one module can affect related processes in another.

Functional costs can be identified, including costs related to discrete weapons systems, costs of each maintenance level and operating costs by activity. The SAP R/3 core financial system is Joint Financial Management Improvement Program (JFMIP) certified, and it meets the requirements of the Chief Financial Officer Act of 1990.

In conjunction with SAP R/3, APS provides algorithms and computations necessary to analyze data for demand planning, forecasting and budgeting. APS also includes modules for supply planning and transportation.

Accomplishments

- Integrated Supply, Maintenance, Financials in one software suite

- Wholesale and Retail supply in one database, enabling Multi-Echelon Sparing

- Hosting and desktop support within NMCI enclave

- NADEP scheduling, ATP and ICP Repair Planning / Funding Collaborative

- CFO Compliant Financials (FMB Blue Book satisfied)

- Ran first-ever Constrained Budget Plan in March 2003, which improved supply and maintenance decision-making based on constrained budgets

- Finite (exact date) delivery of spares and repair orders enables Availability-to-Promise delivery to customer

- Moving Average Cost of assets incorporated (vs. one price per item)

- FY 03 closeout accomplished within 33 hours

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NEMAIS (*Continued from page 1*)

Pilot resources were provided by NAVSEA and Fleet maintenance and support activities that will be affected by the NEMAIS Solution. Vendor resources included IBM and its team of partnering companies (BearingPoint, Inc. – formerly KPMG Consulting – SAIC/AMSEC, and CACI).

Development of an ERP solution for Navy maintenance both enabled and required the re-engineering of diverse existing maintenance processes into common, Navy-wide "to-be" processes. Re-engineering reduced the number of individual processes performed by 43 percent by aligning different duplicate sub-processes within larger separate core processes, and by accomplishing these processes within an automated tool that requires less transfer and verification of information. The resulting improvement and standardization of business processes across I-Level maintenance activities was designed to yield the following benefits:

• Commodores, maintenance activity commanders, planners and material managers will know the real-time maintenance and material status of ship's equipment from a common information base to better assess current and future readiness.

• Maintenance activity commanders will have real-time indicators of their priorities and resources available to maintain the fleet.

• Type Commanders will have improved real-time information to more effectively allocate scarce maintenance dollars.

NEMAIS was first implemented 3 June, 2002, in the Mid-Atlantic Region, where it was used to support I-Level maintenance on all 73 non-nuclear ships in the Atlantic Fleet. More than 30,000 Work Notifications (maintenance jobs) were screened to NEMAIS during the first year it was used in the region, of which 18,000 jobs were completed.

The Southwest Region "went live" on 2 September, 2003 – adding Pacific Fleet non-nuclear ships into the system – and NEMAIS was rolled out to the Southeast Region (Mayport, FL) one month later. NEMAIS will be implemented at Ship Repair Facility (SRF) Japan in March 2005, and at Shore Intermediate Maintenance Activity (SIMA) Pascagoula, MS, in July 2005.

Through mid-April 2004, data for 215 non-nuclear ships has been loaded into the NEMAIS production system data base. Approximately 76,000 Work Notifications have been screened to NEMAIS, of which 54,000 have been completed. Fifty six projects have been closed. As ships become worked exclusively in NEMAIS, no new work is processed for these ships in the "legacy" Maintenance Resource Management System (MRMS) and, when all outstanding work is completed, MRMS is turned off for these ships.

Implementation of NEMAIS in the Southwest Region marked a milestone accomplishment in that, for the first time, a Pacific Fleet planner could plan work with only a few keystrokes by calling up and reusing data from similar work done previously in the Mid-Atlantic. The savings of time and money generated by reusable data that is enabled by a completely integrated database of maintenance information will continue to grow from this point on – an immediate return on investment to the Navy.

Accomplishments

– Online in Mid-Atlantic Region for nearly 2 years and stable; also implemented in Southwest and Southeast Regions; SRF Japan "Go Live" scheduled for Summer 2004

– NEMAIS in January 2003 completed 3 weeks of Independent Third Party Testing, which found no material deficiencies during Blue Book review and recommended immediate rollout to obtain ROI on retiring 150 legacy systems

– NEMAIS solution is consistent with the Future Logistics Enterprise (FLE) Domain Architecture and the Financial Management Enterprise Architecture (FMEA), which is now called the Business Enterprise Architecture (BEA); NEMAIS passed BEA-LOG compliancy certification in May 2003

– NEMAIS integrated data base now includes data from 215 Navy ships (non-nuclear only)

– More than 76,000 jobs have been inducted into the system, of which more than 54,000 have been completed

– Material inventory savings achieved from identification, redirection and reduction of "gold piles" (unused parts left over from previous jobs)

– 18 military personnel reassigned from administrative and support to direct maintenance and repair (production) work (June '02 - June '03 Mid-Atlantic Region only)

– Eliminated paper funding documents

– Legacy system reduction: 3 local unique information systems discontinued to date (June '02 - June '03 Mid-Atlantic Region only). NEMAIS is JFMIP compliant, capable of replacing hundreds of legacy systems, applications and manual processes

– Core processes reduced in number from 203 in legacy to 91 in NEMAIS; support processes reduced from 132 in legacy to 112 in NEMAIS

– System automatically prevents over obligation of funds: warning at 85% obligation, "All Stop" at 100% obligation

– NEMAIS is a single, common maintenance process fully consistent with SHIPMAIN vision of entitlement (CFT1)

– NEMAIS is building the I-Level Master Specification Catalogue (MSC) (CFT2)